



Office of Inspector General
U.S. Department of State
and the
Broadcasting Board of Governors

MONTHLY REPORT OF **ACTIVITIES**

audits, inspections, testimony, and special activities

September 2000

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Congressional and Outreach Activities

Evaluating and Auditing Program Information and Performance Data in Government

On September 27, the Inspector General gave the keynote address at a conference titled *Evaluating and Auditing Program Information and Performance Data in Government*. The Inspector General discussed the value of the Government Performance and Results Act (GPRA), difficulties in GPRA implementation, and ways auditors, agencies, and oversight entities can impact performance.

Reports Issued by the Office of Audits

International Boundary and Water Commission, United States and Mexico, U.S. Section (00-FM-023)

The Office of Inspector General (OIG) audited the International Boundary and Water Commission's (IBWC) Balance Sheet as of September 30, 1999, in order to obtain reasonable assurance and express an opinion on whether the balance sheet was free of material misstatement, to determine whether IBWC has an internal control structure that provides reasonable assurance of achieving internal control objectives, and whether IBWC complied with applicable laws and regulations. The IBWC is charged by a series of treaties between the governments of the United States and Mexico with the application, regulation, and exercise of the provisions of such agreements for the solution of water and boundary problems along the United States and Mexico boundary. For FY 1999, IBWC reported assets of \$380 million.

OIG issued an unqualified opinion on the IBWC Balance Sheet as of September 30, 1999, which means the IBWC's financial position was free of material misstatements. Although an unqualified opinion was issued, the report brings to management's attention internal control weaknesses over back-up tapes of the network and accounting system; computer security; and the financial management system. The audit did not identify any instances of noncompliance with laws and regulations that were considered necessary for disclosure.

The Exchange Visitor Program Needs Improved Management and Oversight (00-CI-028)

OIG conducted a review of the Department of State's Exchange Visitor Program, which facilitates educational and cultural exchanges between U.S. citizens and foreign nationals. The objective of the review was to evaluate whether the Exchange Visitor Program is effectively administered and monitored. This review concentrated on the Trainee category, which is one of the three largest categories in the Exchange Visitor Program with about 30,000 participants per year.

OIG found that the Office of Exchange Visitor Program Services (EVP) is unable to effectively administer and monitor the Exchange Visitor Program primarily because of inadequate resources. EVP's lax monitoring has created an atmosphere in which program regulations can easily be ignored and/or abused. At the locations visited, OIG encountered

widespread violations of program regulations by program sponsors in the Trainee category. At one location we visited, EVP concluded that the violations by the sponsor justified initiating actions to revoke the sponsor's designation. During our fieldwork, OIG also visited five third parties. At two of the five, we found that they were using exchange visitors to fill regular staff positions, a clear violation of program regulations in the Trainee category. OIG recommended that the Bureau of Educational and Cultural Affairs devote the necessary resources to establish a compliance function in the Office of Exchange Visitor Program Services. Its responsibilities should include: visiting Trainee sponsors, interviewing responsible officers, conducting file reviews, interviewing third-parties and exchange participants, and performing on-site investigation of J-Visa misuse and abuse as necessary. As part of its responsibilities, the compliance unit should ensure that all required agreements are in place between sponsors and the third parties, and that sponsors are effectively monitoring third parties.

Also, a key intent of the legislation establishing the Exchange Visitor Program was to ensure that reciprocity existed so that Americans participate in similar experiences abroad. Our review found that reciprocity is only being accomplished to a small degree. OIG recommended that EVP keep statistics on the level of reciprocity initiated as a result of the Exchange Visitor Program and require sponsors to include reciprocal programs as a part of their program designation.

Embassy Bogota's Counternarcotics Program: Legajos Account Administration, Fondo Rotatorio Account Administration, and Aviation Fuel Accountability (00-CI-029, 00-CI-030, and 00-CI-031)

At the request of the Bureau of International Narcotics and Law Enforcement (INL), of the Department of State, and the Senate Drug Caucus on International Narcotics Controls, the Office of Inspector General (OIG) reviewed the internal controls over the Department's counternarcotics efforts in Colombia. The review focused on three specific areas: (1) the Colombian National Police (CNP) administered procurements of local goods and services, called the Legajos account; (2) aviation fuel provided to CNP's counternarcotics programs; and (3) the CNP administered contract for civilian Colombian contractor pilots and mechanics who support CNP counternarcotics efforts in Colombia, called the Fondo Rotatorio. The primary objective of these reviews was to determine if the internal controls were adequate to prevent waste, fraud, and mismanagement. OIG found internal control weaknesses in all three accounts.

In the review of the Legajos account, OIG found that, generally, Legajos purchases tested were reasonable and complied with established Narcotics Affairs Section (NAS) and CNP policies and procedures. However, controls over the Legajos account needed strengthening. For example, NAS's voucher examination process needs to be more substantive and analytical, and records management needs to be improved. Also, NAS Bogota technical advisors were not

performing end-use monitoring reviews on a regular basis. Recommendations were made to improve the management controls over the Legajos account.

OIG also found that internal controls over the Fondo Rotatorio were weak, and NAS Bogota lacked adequate oversight of the CNP's contract administration. For example, NAS Bogota and CNP file management were inadequate, and neither NAS Bogota nor the CNP adequately verified whether civilian personnel were meeting the terms of their contract agreements and were paid only for services rendered. NAS Bogota has decided to replace the Fondo Rotatorio with a commercial employment agency. OIG recommended that NAS Bogota, through its oversight of the new contract, ensure that effective internal control practices and procedures are implemented.

In reviewing the controls over aviation fuel, OIG identified several internal control weaknesses and, based on OIG calculations of fuel purchased and consumed, OIG was unable to account for approximately 469,000 gallons of fuel or 17 percent of total fuel purchased. The most significant problem OIG found was that the Narcotics Affairs Section at Embassy Bogota had not established an adequate process to monitor and account for aviation fuel. For example, no one in NAS Bogota is currently responsible for oversight of aviation fuel. In addition, NAS Bogota neither reviews the CNP's monthly fuel reports nor maintains records of how much fuel was purchased for specific fueling locations. Consequently, NAS Bogota cannot be assured that aviation fuel is only being used for its intended purpose – to support the counternarcotics program. The review did not identify specific evidence of unauthorized use of aviation fuel, but OIG could not dismiss the possibility.

Review of FY 1996 – 98 Indirect Cost Rates and Claimed Costs for Selected Grants Awarded to the American Councils for International Education for Activities in the New Independent States (00-CG-032)

As part of an overall effort to review Freedom Support Act assistance to the New Independent States (NIS), the Office of Inspector General (OIG) engaged certified public accountants, to perform agreed-upon procedures with respect to claimed costs by the American Councils for International Education (ACIE), formerly the American Council of Teachers of Russian (ACTR). We reviewed the indirect cost rates for FY 1996-98 and costs incurred and/or claimed for four grants totaling about \$10.7 million awarded by the United States Information Agency (USIA) to ACIE. Our primary purpose was to determine if the indirect and direct costs incurred and claimed were allowable under the grant agreements, their terms and conditions, and applicable Federal laws and regulations. We found:

- missing or inadequate documentation to support some direct and indirect charges. In addition, we also identified items that were unallowable under the grant terms and

conditions. As a result, we questioned costs totaling about \$1.2 million. Of that amount, about \$94,000 related to direct grant charges and \$1.1 million related to FY 1996 – 98 fringe benefits and indirect charges. Because the overhead and fringe benefit rates apply to all Federal awards, the savings to the U.S. Government will be much higher. However, due to the limited scope, OIG can not project the cost savings to the entire universe.

- noncompliance with applicable regulations and agreements, such as failure to meet cost share provisions and submission of indirect cost proposals.

OIG recommends that the Bureau of Educational and Cultural Affairs (ECA) grant officers require ACIE to reimburse the Department of State for unallowable costs and provide additional documentation for the unsupported costs. OIG also recommends that the grants officer finalize the fringe benefit and indirect cost rates.

Review of the Broadcasting Board of Governors' Transmission Delivery System (00-IB-033)

The overall objective of this review was to evaluate the Broadcasting Board of Governors' (BBG) plans and initiatives for the management and operation of its worldwide broadcast transmission delivery system. This system broadcasts daily to over 90 countries in 61 different languages primarily by radio and TV transmissions. It is the primary infrastructure that the United States uses for all of its non-military international broadcasting and is valued at over \$1.5 billion and costs more than \$100 million annually to operate.

OIG found that while BBG has an agencywide strategic plan, it does not comprehensively address the transmission delivery system or how the agency plans to provide surge capacity to support U.S. foreign policy objectives during crises abroad. The Broadcasting Board of Governors has recently completed several studies and assessments that can provide a framework for assessing and planning for the transmission delivery system. Strengthening strategic planning will bring the Broadcasting Board of Governors more in line with the policy formulation and planning guidance provided by OMB Circular A-11. We recommended that the BBG address more comprehensively its strategic plans for the transmission delivery system either within its agencywide plan or in a separate planning document. Also, OIG recommended that this plan should demonstrate how the BBG will support U.S. foreign policy objectives during crises abroad.

The report also notes that the BBG transmitting stations themselves were well managed and operated. The stations' ability to maximize their operational capabilities by transmitting the right program, on the right frequency, at the right time averaged about 99.8 percent. Although well managed, OIG identified opportunities to make improvements in the management and

operations of the delivery system including (1) improving the level and timeliness of International Broadcasting Bureau (IBB) personnel support for station employees, (2) ensuring construction expertise is available for transmitting stations, and (3) improving management controls by implementing a compliance monitoring process for affiliate broadcasts.

Audit of the International Cooperative Administrative Support Services Program's 1999 and 1998 Financial Statements (00-FM-034)

OIG audited the International Cooperative Administrative Support Services (ICASS) Program's 1999 and 1998 Financial Statements in order to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement, to determine whether ICASS had an internal control structure that provided reasonable assurance of achieving internal control objectives, and to determine whether ICASS complied with applicable laws and regulations.

We issued an unqualified opinion on the financial statements, indicating that they were free of material misstatements. Although an unqualified opinion was issued, the report brought to management's attention concerns with security over the domestic mainframe computers and the Paris Accounting and Disbursing System, the inadequacy of the Department's financial and accounting system, and the inadequacy of the Department's controls over unliquidated obligations.

Reports Issued by the Office of Inspections

Inspection of Embassy Ottawa, Canada (ISP/I-00-21)

Embassy Ottawa plays an essential catalytic coordinating role in assuring that the diverse strands of the all-pervasive United States-Canada bilateral relationship are harmonized with broader U.S. interests and policies. Inevitably, areas of contention exist, but are managed within the framework of a broader relationship mutually recognized as of bedrock importance, and the mission works coherently and intelligently, spending as much time with Washington agencies as with Canadian interlocutors. However, effective amalgamation of Canadian affairs into the Bureau of Western Hemisphere Affairs has not yet been achieved. The mission's executive leadership and policy direction are excellent, with the Mission Performance Plan (MPP) providing the Embassy and its six constituent posts a clear policy framework. But the Embassy needs to bring the consuls general into the MPP process more actively and establish a mission-wide reporting plan. Led by the Ambassador and deputy chief of mission, interagency relationships are outstanding, and a growing and well-integrated law enforcement presence reflects the high priority given to terrorism and cross-border crime. A regional law enforcement hub is taking shape in Vancouver.

Embassy Ottawa's economic section handles the high priority economic and environmental issues that dominate the mission agenda extremely well. The political section, so as to better manage its varied portfolio, needs to better structure its staff responsibilities. Under the Ambassador's lead, public outreach and advocacy engage all major mission elements including the consulates general. The mission provides an appropriate level of administrative support to State Department and other agency elements, and the administrative section managed well the mission's move into the new chancery in fall 1999. However, the general services unit is in disarray and needs reorganization, and there are management control weaknesses that require senior level attention. Implementation of necessary surveillance programs nationwide requires increased personnel and funding and current contracts need to be competed. The six consulates general provide a high level of consular services and assiduously pursue MPP goals. Greater use of consular best practices and more efficient workload distribution would free resources to support a mission-wide, anti-fraud strategy. OIG supports the establishment of an American Presence Post in Winnipeg.

OIG noted three best practices. The mission has inaugurated a junior officer conference, the digital videoconferencing capabilities of the public affairs section have been utilized by other sections to hold substantive virtual bilateral negotiations and, at the Ambassador's initiative, a mission-wide speakers bureau was set up with funds provided for training speaker participants.

Reports Issued by the Office of Security and Intelligence Oversight

During this reporting period, security inspections were conducted at Embassy Warsaw, Poland, and Consulate General Krakow; Embassy Athens, Greece, and Consulate General Thessaloniki; and Embassy Dhaka, Bangladesh.

In addition, an Evaluation of Security at Embassy Kampala, Uganda, and a Security Compliance Followup Review of Embassy London, United Kingdom, were completed.